

Good Disclosure from an Issuer's Perspective

April 7, 2005

Case Study

- Water Revenue Certificates of Participation, Series 2004A
- \$425 million
- IssuedSeptember 2004
- AAA-Insured

NEW ISSUE-FULL BOOK-ENTRY

Ratings: S&P: "AAA" Moody's: "Aaa" Fitch: "AAA"

he the opinion of Special Countal, based on an analysis of estating laws, regulations, rulings and court decisions and assuming, and other matters, compliance with centain consonance, the interest portion of such 2004 lesistimose Personal paid by the What Authority under the 2004 lesistimose Steel Agreement is accusive from gross income for federal income as purposes and is exempt from 3 min of California personal automa taxes. The interest portion of one's 2004 lesistimose Personant is not a specific proference time for personal of the Section lesistimose and the steel interest portion of one's 2004 lesistimose Personant is included in adjunct current entirity in calculating corporate alternative minimum transfer interest portion of the 2004 lesistimose Personant is included in adjunct current entirity in calculating corporate alternative minimum transfer interest to accordant consect expresses no opinion regarding other federal or state tax consequences related to the ownership or disposition of, or accurate or receipt of later and consequences related to the ownership or disposition of, or accurate or receipt of lateral to the 2004 Centificates or the accurate or receipt of the interest portion of 2004 Insulations Parisments. See TAA FEACHATION.

\$425,000,000

Water Revenue Certificates of Participation, Series 2004A

Evidencing and Representing Interest of the Owners thereof in Installment Payments to be made by the



San Diego County Water Authority

Dated: September 1, 2004

Due, as shown below.

The Water Revenue Certificates of Participation, Series 20/4A (the "20/4A, Certificates") will be available in the donominations of \$5.000 or any interpart multiple thereof and will mature in the years and amounts set forth below. Interest represented by the 20/4A Certificates is payable semiannually on May 1 and November 1, commencing May 1, 20/5.

The 2004A Certificates will be prepared as fully registered certificates and, when delivered, will be registered in the name of Ced. A co., as nominee of The Depository Total Company, New York, New York ("PSTC"), DTC will act as securities depository of the 2004A Certificates, Individual purchases of the 2004A Certificates, full by made in book-carry form only.

The 2004A Certificates are being executed and delivered to finance a portion of the design, acquisition and construction of various capital projects in furtherance of the Water Authority's Capital Improvement Program.

The obligation of the Water Authority to make the 2004 Installment Payments is not subject to annual appropriation by the Water Authority.

The 2004A Certificates are subject to optional and mandatory sinking fund prepayment as described herein.

The scheduled payment of principal and interest with respect to the 2004A Certificates when due will be gunranteed under an insurance goldey to be issued concurrently with the delivery of the 2004A Certificates by FINANCIAL SECURITY ASSURANCE INC.

IP FEA

The obligation of the Water Authority to make the 2004 Installment Provincets is a limited obligation of the Water Authority puyable solely from a pixelge of Net Water Revenues and neither the fall faith and credit nor the taxing power of the Water Authority, the State of California or eap of its golifical subdivisions is pedigd for the payment thereof.

MATURITY SCHEDULE \$318,295,000 Serial Certificates

Monority (May 1)	Principal Amount	Rate	Price	Manuriry (May 1)	Principal Amount	Rate	Price
2009:	\$10,255,000	4.00%	99.1249	2026	525,255,000	5,00%	107 9605
21/20	18,965,000	4.00	98.052	2027	26,520,600	5.00	102.559
21/21	19,745,000	5.00	106,692	2028	27,645,000	5.00	102,391
2022	20,730,000	5.25	108,451	2027	29,240,000	5.09	102.301
2023	21,820,000	5.00	104,944	2030	33,700,000	5.00	102 234
2028	22:900,000	5.00	104.256	2091	32,235,000	5.00	1112-057
2025	22.055.000	5.00	103.473				

\$106,705,000 5.00% Term Certificates Due May 1, 2034 Price —101,723% (accrued interest to be added)

This cover page contains information for quick reference only. It is not a summary of this issue. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision.

The 2004 Certificate are offered when, as and if executed and accepted by the Underwitten, subject to the approval of legality of Orrick, Herrington & Statistic LLP, Sur Transcite, Cullifornies, Special Council, and to certain other conditions are matters will be passed upon for the Water Authority by Daniel S. Heest-file, its General Coursel, his expected that the 2004A Certificates in book-early flow will be available for delivery in New York, New York on a shown September 22, 2004.

September 14, 2004

Good Disclosure Requires a Plan

- Continuing Disclosure
- Issuance Disclosure
- Audience:
 - NRMSIRs
 - Investors
 - Rating Agencies
 - Bond Insurers
 - Underwriters
- Recognize the dual role of financial reporting tool and sales tool

Continuing Disclosure

- Annual required disclosure report
 - Profile of existing outstanding senior lien debt
 - Historic operating results
 - Future debt issuance
 - Rates and charges
 - Customer information –
 water purchases, voting entitlement



Continuing Disclosure, Cont.

- Investment policy and actual investments held
- Litigation
- Demographic projections
 - Population
 - Employment by industry
 - Unemployment rates
 - Wealth indicators
 - Growth in housing units

Continuing Disclosure, Cont.

- Use website to provide current information excellent disclosure opportunities
 - CAFR
 - Budget
 - Long-Range Financing Plan
 - Five-Year Business Plan
 - Annual Report
 - Monthly Financials
 - Monthly Treasurer's Report
 - Rates and Charges
 - Links to Credit Rating Reports

Issuance Disclosure

- Create the disclosure team to obtain the highest possible level of expertise in representing your agency's issues
- SDCWA Internal Players:
 - Director of Finance
 - Key Finance Staff
 - General Manager and Staff
 - General Counsel
 - Director of Water Resources
 - Director of Engineering
 - Director of Imported Water

Issuance Disclosure, Cont.



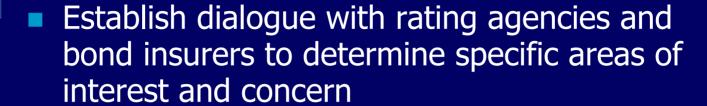
- Financial Advisor
 - Independent expert
 - Knowledge
 - Reputation
 - Contacts within rating agency and finance community
- Bond Counsel
 - Reputation of firm
 - Knowledge
 - Long and successful track record

Doing the Issuance Groundwork



- Kick-off meeting of the financing team
- Understand timeline and responsibilities
- Conduct weekly all-hands meetings
- Prepare initial offering bond documents

Doing the Issuance Groundwork, Cont.



- Review rating agency and investor comments on previous disclosure information
- Develop rating agency presentation
 - Strut your stuff!
- Plan a tour of facilities if appropriate
- SDCWA provided a joint rating agencies and bond insurers presentation followed by an airplane tour of facilities

Doing the Issuance Groundwork, Cont.



- Completion of initial offering document (preliminary official statement)
- Rating agency and bond insurer questions
 - Submitted in advance to allow time to prepare responses
- Teleconference to answer questions

Q & A Teleconference

- Include your whole in-house financing team
- Include additional staff if expertise in a certain area is needed
- Be prepared for any legitimate disclosure questions
- Follow up quickly if additional information is requested

Notes on Effective Q & A

- Be honest
- Be responsive
- Err on the side of providing more, rather than less information
- Anticipate questions dictated by current events:
 - Rainfall impact on water revenues
 - City of San Diego
- Ask yourself what you would want to know about a company before investing in it (prudent person rule)
- Say you will get back to them if unable to answer the question

Sampling of Actual Rating Agency Questions*



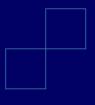
- What is the impact of the ERAF shift?
- Why are projected revenues different than in your last official statement?
- Any internal control issues cited by the auditor?

Sampling of Actual Rating Agency Questions, Cont.

- What is the projected cash reserve status? What other reserves are available?
- Are IID and SDCWA disputing payments to be made regarding conservation measures?
- Is the weather impacting implementation of the CIP?
- How is the CIP affected by rising materials costs?

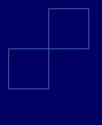


Outcome of Case Study



- Upgrade by Fitch from AA- to AA
- Lowest interest rate in market that week
- Entire issue purchased by Merrill Lynch with TIC of 4.78 percent

Good Disclosure is a Win-Win Situation



- Best for the agency right thing to do transparency; enhances credibility
- Best for investors gives confidence and rationale to invest in us
- Best for rating agencies a factor in upgrades

